



RB8.1.2/26-03-2020

2020/2021 DRAFT ANNUAL BUDGET

FOREWORD MAYOR: DRAFT BUDGET 2020/21

Today, the day on which the national lockdown to prevent the spread of the Corona virus will be enacted from midnight, the day on which almost the entire South Africa is locked down with dire economic consequences in an already difficult economy, I submit before Council the Draft Annual Budget. This Corona virus has taken the world with such a force that everything is affected by it. So much so that the Department of Cooperative Governance and Traditional Affairs describes the purpose of municipal governance as follows:

- "To perform various legislated functions, including the passing of budgets and adoption of IDP's;
- To comply with laws prescribing the IDP and Budget processes aligned with the COVID-19 Regulations."

Suddenly, from nowhere, we have COVID-19 Regulations and our IDP and Budget processes must be aligned with the COVID-19 Regulations! In these financially challenging times, we must approve a Budget that will keep our communities healthy too.

The 2020/21 Budget reflects, to the best of my judgment, the municipality's financial situation. It is in the interest of our people and not any political party. It is to safeguard the sound financial status of our community. I do this in my role as Executive Mayor and in terms of Section 16 of the Municipal Financial Management Act (Act 56 of 2003.) It is thus my privilege to table the 2020/2021 to 2022/2023

Medium Term Revenue and Expenditure Framework (MTREF) to Council.

As this budget constitutes the proposed financial plan for the next 3 years, it naturally impacts on the community as a whole and it is thus extremely important to consult the community to create awareness and to gain support for joint ownership and responsibility in managing the municipality's financial affairs.

In South Africa, economic growth and the dangerous disease COVID19 is continuing to stagnate and weaken the world economy and is likely to amplify our own challenges. The discussion paper termed the Economic Transformation, Inclusive Growth, and Competitiveness released by the National Treasury has proposed a number of economic reforms that might boost GDP growth over the medium and longer term, and support increased investment and job creation. These measures have been broadly agreed on within government. The next step is to implement the reforms urgently.

Over the past year, economic growth has been weaker than forecasted and is only expected to reach 0.9 per cent by the end of 2020. The 2020 budget highlights the difficult economic and fiscal choices confronting government over the next several years.

It is projected that revenue to be collected for the 2020/21 financial year will amount to R1.5 trillion which equates to 29.2 per cent of the Gross Domestic Product (GDP), whereas expenditure is projected to be at R1.95 trillion which is equivalent to 36 per cent of GDP. This means that there is a consolidated budget deficit of R370.5 billion or 6.8 per cent of GDP in 2020/21. The gross national debts by the end of 2020/21 are projected to be R3.56 trillion which is 65.6 per cent of GDP.

It is evident that determined action is required to reverse the deterioration of the public finances by narrowing the budget deficit, containing debt and growing the economy faster and in a sustainable manner. The Municipality therefore need to exercise caution when we prepare our 2020/21 MTREF budget to ensure synergy with national economic and fiscal prudence.

The declining economic growth which, most definitely will be impacted on further by the Corona virus pandemic and globally companies closing down as a result, the deteriorating state of the finances for state-owned entities, continued high unemployment and water and electricity shortages will put pressure on the ability of municipalities to raise revenue.

Cederberg Municipality is in no way immune to the harsh economic realities. Cederberg Municipality, like so many other municipalities in South Africa, is faced with various challenges when balancing quality basic services to the financial and administrative capabilities of the municipality. These challenges include, but are not limited to the following:

- Ageing infrastructure as one of the biggest threats to sustainable service delivery;
- Population growth putting strain on the municipal infrastructure to meet service delivery demands;
- Housing backlogs;
- Poverty in the municipal area and the inability to pay for basic services; and
- Depletion of cash reserves

Management within local government has a significant role to play in strengthening the link between the citizen and government's overall priorities and spending plans. The goal should be to enhance service delivery aimed at improving the quality of life for all people within the Cederberg region.

Budgeting is primarily about the choices that the municipality has to make between competing priorities and fiscal realities. The challenge is to do more with the available resources. We need to remain focused on effective delivery of the core municipal services through the application of efficient and effective service delivery mechanisms.

The application of sound financial management principles for the compilation of the municipality's financial plan is essential and critical to ensure that the municipality remains financially viable and that municipal services are provided sustainably, economically and equitably to all communities.

National Treasury's MFMA Circular No 98 & 99, The Dora Bill 8127 and Provincial Gazette was used to guide the compilation of the Draft 2020/21 Budget.

The budget was draft based on the current situation existing within the municipality. Our assumptions are that we maintain the status as it is, and ensure that the municipality continue as a going concern. On average we estimate a 6% increase in revenues as per Circular 99.

Revenue

The biggest contributor to the revenue of the Municipality is service charges to the consumers. Council should note that the major portion of service charges is the electricity component. The next major contributor to the revenue of the Municipality is the grants received from both national and provincial government. The estimated grant funding for this year is R145 million.

Tariffs

The tariffs have been generally increased by 6% for most of the services and the tariffs for electricity were increased by 8% in line with increase approved by NERSA.

For Cederberg Municipality to continue improving the quality of services provided to its citizens, it needs to generate the required revenue. In these tough economic times strong revenue management is fundamental to the financial sustainability of the municipality. The reality is that we are faced with development backlogs and poverty. The expenditure required to address these challenges will inevitably always exceed available funding; hence difficult choices have to be made in relation to tariff increases and balancing expenditures against realistically anticipated revenues. It is a pivotal and strategic part of the compilation of any budget. When rates, tariffs and other charges were revised, local economic conditions, input costs and the affordability of services were taken into account to ensure the financial sustainability of Cederberg Municipality.

Expenditure

Total operating expenditure forecasted for the 2020/21 financial year reflects an average decrease of 6.6% (when expenditure is taken into account per line item) to an amount of R357m compared with the projected operating expenditure of R352m for the 2019/20 financial year. Operating expenditure forecasts an increase to an amount of R378m in the 2021/22 financial year.

Cederberg's main operating expenditure category is their employee related cost of R125m that represents 37% of total operating expenditure for the 2020/21 financial year. This expenditure category is projecting an expenditure of R132m by the 2022/23 financial year.

Capital Budget

The Municipality will be spending R63.2million in the next financial year on capital infrastructure and the asset replacement programme. The capital expenditure is spread amongst all the 6 strategic objectives of the municipality, but basic infrastructure remains the major benefactor in this programme. The capital infrastructure programme will eradicate some of the backlogs we have in the municipality and also replace old and aging assets of the municipality. The capital infrastructure programme will be financed through national grant funding and own funds. The core focus of the 2020/21 capital budget was the projects as depicted in the IDP.

RESOLVED:

1. Council approves the draft annual budget Report APPENDIX A.
2. Council approves the draft annual budget tables as prescribed by the Budgeting and Reporting Regulations, as set out in APPENDIX B.

3. Council approves the draft annual budget supporting tables as prescribed by the Budgeting and Reporting Regulations, as set out in APPENDIX C.
4. Council approves the Quality Certificate signed by the Accounting Officer, as set out in APPENDIX D.
5. Revised budget related policies (Appendix E)
 - Absenteeism and Desertion Policy
 - Accounting Policy to the AFS
 - Asset Management Policy
 - Borrowing Policy
 - Budget Policy
 - Cash Management Policy
 - Cederberg Risk Management Policy Annex A – rating scales Amended
 - Circular No 01-2018 – Disciplinary Procedure Collective Agreement
 - Code of Ethics Policy
 - Consumer Service Charter – Cederberg LM
 - Customer Care Improvement Policy
 - Customer Care, Credit Control and Debt Collection Policy
 - Development Contributions Policy
 - Drought Communication Strategy
 - E3-Sexual Harassment policy
 - Education Training and Harassment policy
 - Employment Equity Policy
 - Enterprise Risk Management Policy
 - Enterprise Risk Management Strategy
 - EPWP Policy
 - Finance Management Internship Policy
 - Fleet Management Policy
 - Fraud and Corruption Prevention Policy
 - Fraud and Corruption Prevention Strategy
 - Free Basic Energy Policy Guidelines
 - Funding and Reserves Policy
 - Grants-In-Aid Policy
 - HIV AND AIDS Workplace Policy
 - ICT Data Backup and Recovery Policy
 - ICT Disaster Recovery Policy
 - ICT Municipal Corporate Governance of ICT – Cederberg
 - ICT Operating System Security Controls Policy
 - ICT User Access Management Policy
 - IGR Policy
 - Indigent Support Policy
 - Insurance Management Policy

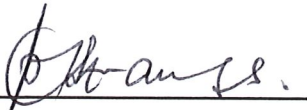
- Investment Policy
- Job Evaluation Policy
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- Long-Term Financial Plan Policy
- Out of Pocket Expenses Policy
- Overtime & Standby Policy
- Performance Management Framework Policy
- Petty Cash Policy
- PPE Procedure 1
- Property Rates By-Law Cederberg
- Property Rates Policy
- Records Management
- Recruitment & Selection Policy
- Relocation Policy
- Revenue Enhancement Policy
- Risk and Ethics Management Committee Terms of Reference
- Risk assessment Methodology
- Risk Management Committee Charter
- Risk Management Policy
- Risk Management Register
- Risk Management Risk Appetite Framework
- Risk Management Strategy
- Selection of Housing Beneficiaries Policy
- Sexual Harassment Policy
- Smoking Policy
- Social Media Policy
- Special Rating Policy
- Study Aid Policy
- Study Bursary Policy
- Substance Abuse Policy
- Supply Chain Management Policy – Cederberg Municipality – Amended May 2019
- Tariff Policy
- Travel and subsistence Allowances Policy
- Virement Policy – MSCOA compliant
- Watermeter Vervangingsbeleid
- Whistle Blowing Policy
- Write-Off Policy

6. Council approves the property rates and charges on properties, tariffs, tariff structures and service charges for water, electricity, refuse, sewerage and other municipal services, as set out in APPENDIX F.

7. Municipal Budget Circular 98 & 99 for the 2020/2021 MTREF, Provincial Gazette ,Dora Bill 5 of 2019 (Appendix G)

8. That council approves the Budget Locking certificate, as set out in APPENDIX H
9. That council approves the Draft Service Level Standards Framework, as set out in APPENDIX I
10. The Draft Budget for the period 2020/2021 is made available to the public for comment.

Proposed: Cllr. Qunta
Seconded: Cllr. Scheepers



VOORSITTER / CHAIRPERSON

26 / 03 / 2020

DATUM / DATE